Brief Submitted

to the

Royal Commission on the Economic Union
and Development Prospects
for Canada

Submitted by: The Social Planning and
Research Council of Hamilton and
District

Date: October 31, 1983.

THE SOCIAL PLANNING and RESEARCH COUNCIL of Hamilton and District

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RECOMMENDATIONS

RECOMMENDATION #1

THAT THE FEDERAL GOVERNMENT CONVENE A NATIONAL CONFERENCE FOR APPROPRIATE FEDERAL AND PROVINCIAL MINISTERS, TO STUDY THE FEASIBILITY OF INTRODUCING A PROGRAM OF GUARANTEED ANNUAL INCOME WHICH WOULD INTEGRATE ALL EXISTING INCOME MAINTENANCE AND INCOME SECURITY PROGRAMS.

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THAT THE FEDERAL GOVERNMENT, AS AN INTERIM STEP, ENCOURAGE THE APPROPRIATE PROVINCIAL GOVERNMENTS TO REVIEW FUNDING ARRANGEMENTS FOR MANDATORY INCOME MAINTENANCE PROGRAMS WHICH CURRENTLY DRAW ON THE MUNICIPAL TAX BASE. APPROPRIATE STRATEGIES FOR PROVINCES TO CONSIDER COULD INCLUDE INCREASED GRANTS TO MUNICIPALITIES OR A SHIFT FROM CURRENT FUNDING TO FUNDING OUT OF PROVINCIAL GENERAL REVENUES.

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RECOMMENDATION #10

THAT THE FEDERAL GOVERNMENT DEVELOP AND IMPLEMENT A PROGRAM FOR THE CREATION OF COMMUNITY DEVELOPMENT CORPORATIONS AT THE LOCAL LEVEL, AND TO THIS END:

a) SEEK AN ADEQUATE MECHANISM FOR THE PROVISION OF RISK CAPITAL TO COMMUNITY DEVELOPMENT CORPORATIONS;

b) DEVELOP A MECHANISM FOR ENSURING THE NEGOTIATED DEVELOPMENT AND MONITORING OF PERFORMANCE STANDARDS FOR COMMUNITY DEVELOPMENT CORPORATIONS;

c) DEVELOP A MECHANISM FOR ENSURING THAT COMMUNITY DEVELOPMENT CORPORATIONS HAVE ACCESS TO AND EMPLOY TECHNICAL EXPERTISE COMMENSURATE WITH PROPOSED ACTIVITIES;

d) DEVELOP A MECHANISM FOR ENSURING THAT LOCAL UNEMPLOYED INDIVIDUALS ARE TARGETED FOR THE EMPLOYMENT CREATION EFFORTS OF LOCAL COMMUNITY DEVELOPMENT CORPORATIONS, AND;

e) ENSURE LOCAL COMMUNITIES ARE MADE AWARE OF THE COMMUNITY DEVELOPMENT CORPORATION PROGRAM.

FURTHER, THAT THE FEDERAL GOVERNMENT MAKE THIS COMMUNITY DEVELOPMENT CORPORATION PROGRAM A TOP PRIORITY FOR FUNDING.

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INTRODUCTION

The Social Planning and Research Council of Hamilton and District (SPRC) is pleased to have this opportunity to address the Royal Commission on the Economic Union and Development Prospects for Canada.

The SPRC is a voluntary agency funded primarily through the United Way of Burlington-Hamilton-Wentworth. Operated by a volunteer Board of Directors, the SPRC has a strong community-based research component which supports and complements major activity in the areas of:

1) social policy analysis;

2) community development;

3) volunteer placement, programming, and development;

4) support to/for citizen participation in the life of the community, and

5) program co-ordination, development and evaluation.

In carrying out its mandate, the SPRC has developed effective working relationships with governments, business, labour and other voluntary sector groups and agencies. Thus, in submitting its brief, the SPRC brings to the issues under consideration, a blend of expertise and experience informed by a broad-based, community perpective.

The Commission's terms of reference are both broad and complex, and its consultation process invites participation of equal breadth and complexity. To respond to all the issues implicit in the terms of reference is virtually impossible for any one organization. In making our presentation, therefore, we will emphasize points which relate to our insights as a community-based voluntary social planning body.

In particular, our brief will focus on:

1) a descriptive analysis of the impact of economic changes in the community of Hamilton-Wentworth;

2) the necessity for interdependent development of economic and social policy;

3) the need for a creative commitment from government to the mobilization of community resources in the resolution of problems created by economic change.

In order to accomplish this, our brief is organized into the following sections:

1) an analysis of employment trends in Hamilton-Wentworth;

2) a description of some of the major impacts of employment trends in our community;

3) a series of recommendations to government, based on the premise that there must be interdependent consideration and development of economic and social policy;

4) a proposal for the creative use of community resources through Community Development Corporations, with recommendations to government where appropriate.

A. Employment Trends in Hamilton-Wentworth

In addressing the issue of our economic future, it is imperative to have a sound knowledge of the consequences of recent economic change.

Employment growth in the Hamilton area has, since 1970, consistently lagged behind that of Ontario or the nation as a whole. From 1981 on, employment in Hamilton and area has contracted severely, with the employment index dropping from 136.9 in 1981 to 118.5 in March, 1983. The economic crisis of the early 1980's has, therefore, had a profound impact on the Hamilton area through reduced opportunities for employment.

Historically, the Hamilton area has been characterized by slower than average Ontario employment growth in virtually all economic sectors (See Figure 1).

The highest employment growth sector in Ontario has, in the last few decades or so, been in the service sector. This holds true for the Hamilton area as well. In the 1960's, and 70's, it was the sector with the most substantial growth, with a majority of that growth attributable to government service employment. Sizeable public sector employment can, in a period of recession, have a stabilizing effect, since layoffs in the private sector are not usually

FIGURE 1

EMPLOYMENT INDEX BY INDUSTRY FOR ONTARIO AND HAMILTON CMA
(ANNUAL AVERAGES, 1970, 1975, 1981; MARCH, 1983)*

	1970		1975		1981		March 1983
	Ontario	Hamilton	Ontario	Hamilton	Ontario	Hamilton	Hamilton
Manufacturing	127.5	120.2	130.4	124.5	135.8	126.0	104.0
Construction	124.6	112.3	116.4	127.9	96.1	92.4	54.4
Transportation, Communications & Utilities	114.0	104.4	127.0	107.7	143.7	116.1	105.6
Trade	150.9	133.4	173.3	159.5	188.6	170.2	153.4
Services	190.0	150.0	234.3	177.1	316.4	232.3	218.2

*Annual Averages have been calculated at the Social Planning and Research Council.

Source: Statistics Canada, Employment, Earnings and Hours (72-002), 1970-1983. (Base Year: 1961).

matched by the public sector. Despite growth in the service sector, however, Hamilton still lags in this area of employment expansion and our historical dependence on manufacturing has made us particularly vulnerable to the unemployment effects of the recession.

Given slower than average employment growth, it is not particularly surprising to note that, historically, the labour force participation rate has been lower than the Provincial average.

In 1980, the largest economic sectors in the Hamilton area (as reported in Census material) according to the percentage of labour force employed were: manufacturing (32.4% of labour force), service industries (28.6%), and, trade (16.3%). When this fact is counterposed against recent contraction in employment (see Figure 1), it is clear that manufacturing, which to date has formed the most significant employment sector of the local economy, has been among the hardest hit by recession. We know, for example, that between March, 1982, and March, 1983, Statistics Canada estimate 9,800 jobs lost in the manufacturing sector, compared to 900 in the service sector. The magnitude of this contraction, combined with recovery forecasts and impending changes in service sector employment due to the impact of new technologies, suggest sweeping changes in future employment/unemployment trends in Hamilton-Wentworth.

The severity of the economic downturn is reflected in the rates of unemployment experienced locally in the last two years. The average rate of unemployment in 1981 was 6.5%; by 1982, the average was 11.8%, although the rate peaked at over 15% during that year. In September, 1983,

the estimated unemployment rate was 9.4%, part of a trend towards a decrease in unemployment over the last year. Despite this decrease, September's rate still stands well above the average rates experienced in Hamilton and area throughout the 1970's. Further, despite a reduction in unemployment rates, the actual number of unemployed has continued to expand, as reflected in the number of individuals actually registered in our local CEIC offices. (See Table 1). In fact, the largest annual increase in registered unemployed occurred between 1982 and 1983, at a time when official unemployment estimates were declining. This suggests an increase in the officially defined labour force which, in terms of rate of expansion, outstrips the rate of growth of the officially defined unemployed. So, while unemployment rates are decreasing, the number of unemployed may still be expanding quite dramatically.

TABLE 1

Number of Unemployed Registered at CEIC (1978-1983, September of each year).

Year	Number of Unemployed Registered	% Change Over Previous Year
1978	20,481	
1979	15,956	-22.1
1980	16,256	1.90
1981	23,124	42.1
1982	31,081	34.4
1983	44,745	44.0

Source: CEIC Operational Data

B. Some Implications of Employment Trends in the Hamilton Area

The recent shifts in the employment base in Hamilton and area have some important implications for future employment and, by consequence, unemployment.

a) Re-employment Prospects and Structural Unemployment

As data presented above suggest, all sectors of our local economy have contracted over the last few years. Of particular importance, the manufacturing sector, which still employs the largest percentage of our local labour force, has contracted quite dramatically.

In Hamilton, the usual process of technologically-based job redundancy in the manufacturing sector has been dramatically sped up by mass layoffs induced by the recession. There appears to be a growing consensus among many analysts that unemployment will remain abnormally high even after the economy recovers due to the rapid pace of technological change in the workplace and consequent shifts in labour market demand. Redundancies which formerly were handled through attrition, are now being accomplished through permanent layoffs resulting in long term unemployment for the individuals concerned.

Many of these individuals now lack marketable skills and together form an ever-increasing pool of "structurally" unemployed. Locally, many of these individuals can be found on our General Welfare Assistance rolls, classified among the "employable". The SPRC does not believe that the necessary mechanisms, such as training/re-training programs, are present in sufficient numbers to meet the ever-increasing demand. We are, as a community, faced with the prospect of

an increased group of permanently unemployed, unless governments can mobilize resources in a sufficiently creative way to effectively intervene.

The increasing number of structurally unemployed expands an already existing pool of hard-core unemployed (such as youth, ex-psychiatric patients, the disabled, et cetera). The now increased competition for scarce employment places these traditional "hard core unemployed" at a distinct disadvantage with regard to finding work at a time when government restraint programs limit the availability of support programs for them.

b) Traditional "Motor" Industries

There are compelling arguments for asserting that we can no longer be certain that economic growth in the "productive" sectors will be directly related to employment growth. Our traditional "motor" industries (i.e. those which have shaped economic recovery and health in the past) may, indeed, recover. It is unlikely, however, that they will lead the way in employment growth.

A recent study by Uri Zohar, for the Canadian Institute for Economic Policy, concluded that:

> "...if the trend of technological development that characterized the 1970's continues to have the same direction and magnitude in the 1980's, the expansion of at least twelve manufacturing industries will not generate a significant demand for labour. This means that only seven industrial groups - food and beverage products, leather products, textiles, furniture and fixtures, paper and paper products, transportation equipment and electrical and electronic products industries - would be potential contributors to a fall in the unemployment rate in Canada and in varying degrees". (Zohar, p.79)

Twelve sectors can, therefore, substantially increase their productivity while creating relatively few new jobs. Unfortunately, these twelve sectors include a number of the industries that have traditionally been the backbone of the Hamilton economy - steel, fabricating and rubber. The very strength of the Hamilton economy in the past few decades may, therefore, prove increasingly less effective as a generator of employment, despite economic recovery and, even, expansion. The Hamilton area is, therefore, confronted with the task of generating employment from sectors not historically seen locally as the chief "motor" of local growth.

While the service sector has, in the last 20 years, expanded rapidly, Hamilton still lags significantly behind other municipalities in this regard.

In sum, what must be suggested are innovative ways to expand employment in areas not typically seen as strengths in the Hamilton area.

c) Technological Change and the Service and Trade Sectors

Evidence would suggest that in the service and trade sectors, the full impact of technological change has not yet been felt. However, as the pace of change increases, workplaces in these sectors will, as in the manufacturing sector, be liable to increased layoffs or loss of jobs through attrition.

In the vast majority of cases, it will be women in offices who are vulnerable to these changes, only adding once more to the pool of individuals locally who face

increasingly long periods of unemployment, and, in some cases, permanent unemployment.

While there may be some offsetting trends through new jobs created by production and supervision of new technological tools, this is liable to have only a moderate effect locally. While the "hi-tech option" is certainly attractive, Hamilton and area has had little history of innovation in this sector. It is an option, therefore, which must be partnered with a wide range of economic alternatives.

d) Social Dislocation and the Human Service Sector

The impacts of the recent recession on our human services are enormous.

There is already lengthy literature available which documents some of the worst personal effects of unemployment, ranging from loss of self-esteem to a lagged increase in mortality, suicides, violence, et cetera. While analysts disagree as to the chain of causation or the severity of effects, there does seem to be general agreement that, with extended unemployment, individuals and families are at greater risk. Most of the research which has led to this literature, took place prior to 1980, and there is reason to suggest that extended unemployment (on a broader scale than at any time since the Great Depression) may have new, as yet to be articulated, consequences.

Within the last six months, however, the strain on our human services system has begun to show and slowly widening gaps in the "safety net" are appearing.

Locally, one of the most profound impacts has been strong pressure on our General Welfare Assistance system. Table 2 documents caseload trends since the beginning of 1981, detailing employable and unemployable caseload, total caseload, and % increase over the previous twelve months. Over 1983, despite some mid-year contraction, we have seen a general increase which shows no signs currently of tapering off, and which has led to projections of a caseload of 10,000 by the beginning of 1984.

Cost overruns in the G.W.A. budget, projected at approximately $6,000,000 have led our Regional Municipality to seek emergency assistance for funding from the Provincial government. The basic point to be made is that our local municipality, as many others, will not be in a position to fund its mandatory 20% of this program unless there are severe cutbacks, if not elimination, of funds to other discretionary social services and voluntary agencies or other departmental budgets.

Without a sudden reversal in employment trends, or a fundamental shift in funding of general welfare off the municipal tax base, we face the very real prospect of profound cuts in service or dramatic increases in property taxes. Given the regressive nature of property tax, neither option is particularly attractive nor, from the perspective of some analysts, viable.

This crisis in basic needs income maintenance is paralleled by restraint and cutbacks in funding of other human services just at a time when they are most needed in our community. Innovative programs, such as local union sponsored H.E.L.P. centres face loss of funding as one-year grants from government reach their termination. It is perhaps not inappropriate to suggest an imminent funding crisis in the entire human services sector.

TABLE 2

Profile of GWA Caseload: Hamilton-Wentworth

	Total Cases	% Employable	% Unemployable	% Inc.over 12-month Period
January, 1981	6249	41.3%	58.7%	-
January, 1982	6557	45.4%	44.6%	+4%
January, 1983	8795	57.8%	42.2%	+34%
June, 1983	8915	56.7%	43.3%	+41.2%

Source: Monthly Caseload Statistics,
Regional Social Services
Department.

Recipients of programs also face a crisis. General Welfare Assistance allowances, never intended as long term income maintenance payments, may keep recipients and families more than 50% below the Statistics Canada Low Income Cut-off Points, literally condemning them to lives of chronic poverty as the chances for re-employment diminish.

Unless and until a drastic reshaping of our "safety net" occurs, it is essential that this Commission recognize the pressing need for an interdependent evolution of both social and economic policy. Given that there appear to be no "quick fixes" to the economic issues at hand, we must, as a society, ensure that the increasing pool of dislocated individuals in our society occupy a priority in our response to economic crises and change.

c) "Natural Advantage" and the Hamilton Area

Despite local economic problems, as a community, Hamilton-Wentworth possesses several advantages which must be capitalized on and upon which government policy must evolve.

Hamilton's historical relationship to large scale, manufacturing expertise, means a significant pool of technological and management expertise. This pool is buttressed by the existence of McMaster University, with its potential human, technical and facilities resource base.

Our area possesses a large labour force, ranging from unskilled to highly skilled individuals, many of whom are unemployed and anxious to work again.

The large local market represents a resource in terms of local demand-based production of goods and services both. For those who are employed, average income is well above the national average. While production-for-export has been an important factor in determining production trends to date, (and with features such as a natural harbour and airport, this is likely to continue), it would be possible to look at strategies such as import substitution and enhanced production for the local market.

What is required are innovative ways to bring these strengths together in a community-sensitive plan.

C. The Role of Government in Planning For Canada's Social and Economic Future.

It would be easy to suggest that there are "quick" fixes to the problems raised in the previous section. Reality, however, confounds this view. The structural changes outlined above are complex, their impacts disruptive and the solutions applied to date unable to effect the comprehensive response we require as a national society.

As a voluntary social planning body, we believe that a critical measure of the effectiveness of any economic policy is the proportion of social dislocation it tolerates. An economic recovery which leaves ten per cent or more of our nation's populace unemployed and condemned to poverty due to inadequate income maintenance programs, is an economic recovery for only 90% of the population. Unless our economic policy is wedded to social policy, and unless each is directed toward humane social goals, there is no alternative but to label them both ineffective.

Together, economic and social policy must seek to facilitate orderly, managed and humane change. They must seek to minimize social dislocation, and where economic policy fails to effectively integrate individuals into the lives of their communities, social policy and programs must be created to accomplish this goal.

Within this framework, the SPRC feels it is appropriate for government to:

1) intervene in the economy to achieve particular ends;

2) undertake economic activity itself where a social good is at stake;

3) act as the consensus seeking mechanism for defining social good; and,

4) encourage the co-operative efforts of all segments of Canadian society in seeking, developing and implementing programs aimed at minimizing social dislocation.

1) Gaps in Social Policy

a) Income Maintenance

The Hamilton experience dramatically demonstrates the failure of current income maintenance programs to meet the needs of the unemployed. Not only are income maintenance levels inadequate within municipally operated programs (General Welfare) and those operated by the Province (Family Benefits, GAINS-D), but gaps in payments

from varying sections of the safety net have no rational base. Further, where programs are funded in part through the municipal tax base, they accentuate income differentials because they relate in no way to ability to pay.

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Rapid changes in employment trends suggest that many Canadians will, at some point in their life, confront the reality of unemployment. Further, the hundreds of thousands of Canadians unable to participate in the labour force, whether due to age, infirmity, parenthood, et cetera, currently live in poverty or near poverty. As a national society, we must ensure that no Canadian be allowed to live a life characterized by lack of choice and uncertainty due to poverty or impending poverty. We must ensure, at a minimum, adequacy. The initiatives begun in the early 1970's, but tabled due to lack of consensus between senior levels of government, must be revived.

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b) Support Programs

Given the pressure generated by the "new" unemployed on human services, it is critically important that senior levels of government recognize the role which support programs, other than income security programs (such as daycare, counselling, advocacy, et cetera), play in ensuring an adequate safety net. Further, it must be recognized that, in times of severe social dislocation, the need for such support services expands. It is imperative, therefore, that such services receive adequate funding.

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c) The Voluntary Sector

Over the past few years, both Provincial and Federal governments have called on the voluntary sector to "pick up the slack" in servicing the victims of recession and rapid change.

We would note a singular confusion evidenced by these calls for voluntary action, a confusion related to the understanding of what constitutes voluntary action. Often there has been the implicit assumption that if a service is delivered through the voluntary sector, it results in a significant cost-saving to government. In fact, this is not always the case.

Increasingly, voluntary agencies have, over the last decade, relied on government to fund portions of their activities through mechanisms such as "purchase of service" or "grants". The employment of a wide array of skilled professionals in the voluntary sector who cannot, nor should not, be replaced by even the most skilled of volunteers, often depends on the continuation of this government support.

Further, it is important to note that voluntary funding is, itself, at risk in times of recession, and there is a need for government to provide effective incentives for voluntary giving.

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While the voluntary sector welcomed the recent elimination of the $100 Standard Deduction for voluntary giving, we believe strongly that without the shift in status from deduction to credit, its value as an incentive to giving is minimal.

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d) Training and Re-Training

Given the escalation in individuals who are unemployed, many due to structural shifts in labour market demand, there is a pressing need to substantially expand training and retraining programs in our communities. However, we are concerned that this expansion not occur at the expense of programs traditionally targeted at the hard-to-employ (women, native people, the disabled, et cetera), and that a dual focus in the targets of training programs be maintained (i.e. a focus on both the structurally and the "hard core" unemployed).

Further, we see great advantages to be gained, not only from rigorous analysis of future labour market trends at the national level, but at the local level through forums for dialogue between educators, business leaders and

union leaders. We believe that the potential for local determination of local labour market demand has been only minimally tapped, and that all levels of government should be encouraged to capitalize on this potential.

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2) Community Based Economic Strategy: Community Development Corporations

If, as a national society, we are serious about expanding employment opportunity in a significant way - in a way in which the structurally and hard-core unemployed can participate - we must develop economic strategies which incorporate both economic and social goals, and which use our resources in innovative ways.

Conventional approaches to employment expansion, either through private sector stimuli or public sector job creation programs, have neither the breadth nor the focus to permit an effective attack on "structureal" unemployment, nor for that matter, on "hard-core" unemployment.

While clearly the private sector has a key role to play in economic growth, we have indicated already the increasing consensus that economic growth will no longer necessarily translate into greatly expanded employment. This has particular importance for the Hamilton area, given our past dependence on the manufacturing sector for both employment and economic growth, and our (relatively) slower rate of expansion in the service sector. While opportunities exist for expansion, our community, as others, is confronted with the possibility of growth without a parallel expansion in employment opportunity.

Further, even where the private sector <u>is</u> capable of generating new employment, these opportunities will, by and large, exceed the grasp of the "new" and "old" unemployed who have neither the expertise nor skills due to structural shifts in current and future labour market demand.

Given the root of these shifts, it is illogical to assume that the private sector can effectively intervene to effect significant expansion in employment opportunity for the structurally unemployed.

Government job creation programs, on the basis of past experience, also seem ill-suited to the task of significantly modifying employment trends. They often suffer from:

1) a short term funding base (leaving little time for either honing of existing skills or learning new ones);

2) poor alignment between job skills required for short term projects and skills required in the competitive employment market; and,

3) weakness in actual learning of new skills. The task oriented nature of many sponsored projects mean there is a tendency to hire workers with necessary skills.

Despite the intent of government job creation programs to combat structural unemployment, the evidence suggests that their actual impact is modest (see, for example, Job Creation in the Human Services, Social Planning and Research Council, 1978).

What is required is a major commitment to focus this intent (to combat structural unemployment) through programs which will avoid pitfalls of current job creation programs. To state this more positively, we require programs which are

potentially long-life, which match skills training to local employment opportunity, and which contain skills training components which will permit hiring of non-skilled workers.

The SPRC believes that this potential exists through the model of Community Development Corporations (CDC's). In essence, CDC's allow integrated community planning, which brings together resident expertise, analysis of community demand, and the unemployed in the development of profit-making and non-profit activities controlled by the community in question.

There are a variety of models of CDC's. It is not our intention here to argue for one model or another, but to point out here the common elements, and, from this review, to recommend to government, steps it can take to encourage the development of this community-based economic strategy.

It should be noted that this idea is not new to the Federal Government. Many projects funded under L.E.A.P. (Local Employment Assistance Plan), have strong elements of CDC's within them, but funding is still relatively short term (3 years) and many lack the necessary support systems to develop into larger "corporate" bodies capable of implementing a larger community plan. Two technical reports prepared for the Labour Market Development Task Force, refer to CDC's. Michael Decter in Technical Study #10 (Programs to Encourage Employment: The Provinces or Municipalities as Agents (1981)), refers to CDC's as one program possibility for encouraging local employment creation. Brodhead, Decter and Svenson in Technical Study #3 (Community Based Development: A Development System for the 1980's (1981)), proposed a sophisticated set of mechanisms by which

a CDC program could be initiated. Despite such studies, initiatives and successful experiments with the model in other jurisdictions, there has been little evidence to suggest that Canadian governments have attempted to incorporate the CDC concept into their economic planning or policies. It would be our hope that the Commission will encourage governments to view CDC's as a viable and integral aspect of Canada's economic future.

a) Elements of a Community Development Corporation Model

Those elements which must be incorporated into a Community Development Corporation include -

i) Community Control - Community Development Corporations are controlled by local communities, which can be defined in a variety of ways ranging from geographic communities (e.g. city, neighbourhood, et cetera) to communities of interest (e.g. ethnic groups). Normally, this is accomplished through an elected Board of Directors, but there are variants on this approach. The Mondragon Co-operatives in Spain, for example, elect Boards of Directors out of their membership, resulting in a blend of the co-operative and CDC approaches to local employment strategy. The key element here, however, is community control.

ii) Developmental Orientation/Self Sufficiency - Short term funding has rendered many Canadian attempts vulnerable to failure. A systematized approach to CDC's, however, should ensure that they have an expansionary focus, with an ultimate goal of financial self-sufficiency.

iii) Balance of Profit/non-profit activities - CDC's are an attempt to blend both social and economic goals, thereby distinguishing them clearly from private sector ventures. They exist to meet community needs. In order to meet social needs as well as achieve economic self-sufficiency, a blending of not-for-profit activities with offsetting for-profit projects is required.

iv) Evaluation and setting of performance standards- In order to expand and develop the appropriate balance of profit and not-for-profit activity, it is critical that CDC's have the capacity to establish cost-effective performance standards and to assess their performance against these standards. Further, to acquire risk capital, the SPRC believes that CDC's should be able to demonstrate their potential performance to lenders (whether from the public or private sectors).

v) Sound research/marketing analysis base - CDC's in order to acquire long-term viability, require not only community control, but an understanding of the community. Local market analyses' capacity is required for profit-making ventures; sound research in the areas of needs assessment and evaluation is required for not-for-profit activity.

vi) Use of expertise - To ensure that technical capacity is present in a CDC, it is necessary that appropriate expertise either be resident or purchased. In reviewing the brief life and death of local CDC initiatives, it is clear that too often a "soft" approach has been used, with a CDC seeking funding purely on the strength of its good work. If a community seriously wishes to pursue the CDC option, lenders have a right, and the CDC has the responsibility, to ensure that technical expertise appropriate to the projected level of its activity be consulted to ensure viability.

As Brodhead, Decter and Svenson (1981) have pointed out, however, local communities may not have access to appropriate expertise. If government seriously wishes to encourage this model of economic development, it will have to ensure a pool of expertise which, if necessary, can be loaned to or purchased by a developing CDC.

vii) Skills training/long term employment - If a CDC successfully expands its activity, it offers the promise of long term employment to local individuals. Two necessary components for this to occur are, first, a targeting of CDC employment opportunities of the local unemployed and, second, the existence of a skills training component for the local unemployed.

The SPRC believes that, where government is prepared to develop a CDC program as part of a broader job creation strategy, it has an obligation to ensure that local unemployed persons are targets for jobs created, and that CDC's have an obligation to provide effective skills training commensurate with economic activity.

viii) Availability of risk capital - Essential to the successful growth of CDC's is the availability of sufficient risk capital to a CDC in its developmental stages. The SPRC believes that the Federal government should undertake the responsibility of ensuring availability of risk capital, either through the Employment Development Branch, its own financial institutions, or arrangements with private lending institutions.

In making capital available, the Federal government has a further obligation to establish mechanisms which ensure such capital is well invested. Points raised above, such

as performance standards and technical capacity are, in this light, reasonable expectations, and imply a higher order management capacity from CDC's than may have existed in some cases in the past. The SPRC believes that, if such elements are negotiated between a lender and a CDC, that the goals of community control and reasonable investment risk can be mutually satisfied.

b) The Hamilton Area and the Community Development Corporation Concept

The Hamilton area provides a graphic illustration of the potential benefits of a Community Development Corporation.

i) Use of local skills and resources - Resident already in our area are a variety of local expertise, local labour, and established community networks. The employment profile provided earlier clearly indicates that, as a community, we face a tortuously long road back to acceptable unemployment levels if conventional programs and approaches are all that are made available to us. While we, as a community, might reasonably expect economic recovery, large portions of our community will be left out and faced with chronic unemployment and poverty. If our resident strengths, however, could be pulled together to develop a technically sound plan for profit and non-profit activity to provide employment, goods and services for sale, and additional human services which strengthen our local safety net, we would, ten years from now, present a far different picture than we do today.

ii) Productive use of capital vs cost of income maintenance programs -

As indicated previously, recent economic changes have wrought havoc on our local social and human service sector.

Income maintenance payments alone have placed an almost intolerable strain on the local tax base, and cutbacks elsewhere threaten the viability of support services. The cost benefit to be derived from funding a local CDC is, depending on the number of jobs generated, extremely attractive. With every job created, you not only move someone out of the Income Security system, but you create another taxpayer on the credit side of the government ledger.

Using Ontario Ministry of Community and Social Services guidelines (the amount of assistance issued in one month multiplied by 12 months for an individual who goes off assistance to employment), a saving of $201,112.50 from General Welfare would be created by 50 new persons employed. The impact on our local social service sector would be immediate and significant. Further, Brodhead, Docter and Svenson (1981) cite evidence which suggests that the benefits from $20,000 spent "to train one person exceed that of funding two temporary jobs at $7,600 each". While clearly there is front-end cost to government, the developmental/ expansionary character of the CDC as advocated here, ensures that the long run cost benefit is potentially enormous.

c) Recommendations

RECOMMENDATION #10

THAT THE FEDERAL GOVERNMENT DEVELOP AND IMPLEMENT A PROGRAM FOR THE CREATION OF COMMUNITY DEVELOPMENT CORPORATIONS AT THE LOCAL LEVEL, AND TO THIS END:

a) SEEK AN ADEQUATE MECHANISM FOR THE PROVISION OF RISK CAPITAL TO COMMUNITY DEVELOPMENT CORPORATIONS;

b) DEVELOP A MECHANISM FOR ENSURING THE NEGOTIATED DEVELOPMENT AND MONITORING OF PERFORMANCE STANDARDS FOR COMMUNITY DEVELOPMENT CORPORATIONS;

c) DEVELOP A MECHANISM FOR ENSURING THAT COMMUNITY DEVELOPMENT CORPORATIONS HAVE ACCESS TO AND EMPLOY TECHNICAL EXPERTISE COMMENSURATE WITH PROPOSED ACTIVITIES;

d) DEVELOP A MECHANISM FOR ENSURING THAT LOCAL UNEMPLOYED INDIVIDUALS ARE TARGETED FOR THE EMPLOYMENT CREATION EFFORTS OF LOCAL COMMUNITY DEVELOPMENT CORPORATIONS, AND;

e) ENSURE LOCAL COMMUNITIES ARE MADE AWARE OF THE COMMUNITY DEVELOPMENT CORPORATION PROGRAM.

FURTHER, THAT THE FEDERAL GOVERNMENT MAKE THIS COMMUNITY DEVELOPMENT CORPORATION PROGRAM A TOP PRIORITY FOR FUNDING.

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